

1 IN THE UNITED STATES DISTRICT COURT
2 FOR THE EASTERN DISTRICT OF TEXAS
3 MARSHALL DIVISION
4 UNITED SERVICES AUTOMOBILE) (
5 ASSOCIATION) (CIVIL ACTION NO.
6) (2:18-CV-245-JRG
7 VS.) (MARSHALL, TEXAS
8) ()
9 WELLS FARGO BANK, N.A.) (JANUARY 10, 2019
10) (10:02 A.M.

11 MOTION HEARING

12 BEFORE THE HONORABLE JUDGE RODNEY GILSTRAP

UNITED STATES CHIEF DISTRICT JUDGE

15 APPEARANCES:

16 FOR THE PLAINTIFF: (See Attorney Attendance Sheet docketed
in minutes of this hearing.)

18 FOR THE DEFENDANT: (See Attorney Attendance Sheet docketed
in minutes of this hearing.)

20 COURT REPORTER: Shelly Holmes, CSR, TCRR
Official Reporter
21 United States District Court
Eastern District of Texas
22 Marshall Division
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23 Marshall, Texas 75670
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25 (Proceedings recorded by mechanical stenography, transcript produced on a CAT system.)

1	I	N	D	E	X
2					
3	January 10, 2019				
4					Page
5	Appearances				1
6	Hearing				3
7	Court Reporter's Certificate				42
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					
24					
25					

1 COURT SECURITY OFFICER: All rise.

2 THE COURT: Be seated, please.

3 All right. This is the time set for hearing on a
4 motion to compel filed by the Plaintiff in the USAA versus
5 Wells Fargo matter. This is Civil Case No. 2:18-CV-245.

6 Let me call for announcements on the record.

7 What says the Plaintiff, USAA?

8 MR. BUNT: Good morning, Your Honor. Chris Bunt
9 and Mr. Jason Sheasby here on behalf of USAA, and we're
10 ready to proceed.

11 THE COURT: All right.

12 What's the announcement from Wells Fargo?

13 MR. MELSHEIMER: Good morning, Your Honor. Tom
14 Melsheimer, along with Danielle Williams and Travis
15 Underwood for Wells Fargo. We are ready to proceed.

16 THE COURT: All right. Plaintiffs, this is your
17 motion. Let me hear argument from you first from the
18 podium.

19 MR. SHEASBY: May it please the Court. Good
20 morning, Your Honor.

21 THE COURT: Good morning.

22 MR. SHEASBY: I think there are three questions
23 before the Court today. The first is procedural. What
24 Court should be addressing this issue?

25 The second, in our mind, is substantive, which is

1 under the Fifth Circuit opinion in Collins, the statements
2 of Mr. Alexander's are, quote, admissions by Wells Fargo.
3 And can a party block the deposition examination of
4 contradictory admissions that occurred in another body in
5 this Court?

6 And the third is, I think, a very fair policy
7 question, which is will an order instructing Wells Fargo
8 not to instruct Mr. Alexander not to answer questions in
9 some way tread on the constitutional separation of powers
10 between the PTAB and the Article III branch of government?

11 So those are the three questions, and let me jump
12 right into the procedural one.

13 THE COURT: Is it fair to say right off the bat,
14 Mr. Sheasby, that this fight is all about what's going to
15 happen before the PTAB and not what's going to happen
16 before this Court?

17 MR. SHEASBY: I don't believe respectfully that's
18 not the case, and let me tell you why.

19 There is a live Section 101 defense in this case.

20 THE COURT: Of course, there was a live motion to
21 dismiss under Rule 12 based on 101, but that's no longer
22 active in the case, correct?

23 MR. SHEASBY: The -- the motion has been
24 temporarily withdrawn, but the defense -- the Section 101
25 defense has not been withdrawn.

1 THE COURT: The motion has been found to be moot
2 by the Court based on your amended complaint.

3 MR. SHEASBY: Yes, Your Honor.

4 THE COURT: And it's not been re-filed by the
5 Defendant.

6 MR. SHEASBY: That's correct, Your Honor.

7 THE COURT: All right.

8 MR. SHEASBY: And let me jump right there and
9 answer the question, which is there is a live Section 101
10 defense in this case. There is a footnote, and sometimes
11 footnotes are very important, making clear that the Defense
12 reserves the right to re-file this motion at any time.

13 And what has occurred, based on a conscious
14 decision to inject 101 defenses in two -- before two
15 bodies, which is their right, which is their absolute
16 right, is we now, based on this motion to dismiss, which
17 was found moot, and at least for the present while this
18 motion is pending is not going to be re-filed, is we know
19 exactly what their 101 defense is.

20 And we've laid a foundation that the 101 defense
21 that they're presenting is inconsistent with the statements
22 made by Mr. Alexander in his declaration to the PTAB.

23 Now, we've laid that foundation, and in the 16
24 pages of briefing that Wells Fargo's presented to Your
25 Honor, there has been no -- zero engagement or dispute of

1 the issue that there's contradictory positions.

2 THE COURT: Let me ask you this, Mr. Sheasby. As
3 opposed to taking Dr. Alexander's deposition and inquiring
4 as to the declarations that have been offered to the PTAB,
5 it seems from the briefing that it's your position that --
6 and you just told me that your view is there's no
7 disagreement between the parties, that there is an existing
8 inconsistency between those declarations and Wells Fargo's
9 position with regard to the 101 matter.

10 If that's true, then why can't USAA simply hold up
11 Wells Fargo's 101 motion from this Court against those
12 declarations before the PTAB? Why do you need to depose
13 Dr. Alexander with regard to Wells Fargo's position on the
14 101 issue when you have Wells Fargo's motion that's not
15 under seal, it's a public record in this Court? Why do you
16 need the deposition?

17 MR. SHEASBY: It's a -- it's a fair point.

18 I don't need it for the PTAB. I need it for Your
19 Honor. In other words, there's a lot -- there's a live
20 Section 101 dispute in this case. A declaration is not
21 admissible evidence before Your Honor. I --

22 THE COURT: Then -- then if you need it for this
23 Court and not the PTAB, why do you need it now as opposed
24 to this coming summer after expert witnesses have been
25 designated and would be properly deposed?

1 MR. SHEASBY: It's a fair question.

2 I think there's a couple of ways that I approach
3 it. The first is that time passes and memory fades. There
4 is a declaration that was filed. The witness is obviously
5 prepared and familiar with these issues. And if that's the
6 case, now is the right time to take his deposition. He may
7 never appear as an expert. He's not designated as any type
8 of expert in this case. His declarations makes clear that
9 the only place he's ever been retained is in the PTAB
10 and --

11 THE COURT: And the time to designate an expert in
12 this case has not been reached yet.

13 MR. SHEASBY: It has, with one -- so with one
14 exception, which is Rule 26(b)(4)(D) makes clear that if he
15 was retained as a non-testifying expert in this case, there
16 would be a reasonable basis on which they could oppose his
17 deposition.

18 And the language, and I quote, quote, ordinarily a
19 party may not by interrogatories or deposition discover
20 facts known or opinions held by an expert who has been
21 retained or specially employed --

22 THE COURT: Tell me where -- tell me where you're
23 reading from. I've got the rule in front of me.

24 MR. SHEASBY: Rule 26(4)(b)(D) [sic], experts
25 employed only for trial preparation.

1 THE COURT: Okay. It's (b) (4), not (4) (b).

2 MR. SHEASBY: I'm sorry, Your Honor, (b) (4) (D).

3 THE COURT: Okay. Go ahead.

4 MR. SHEASBY: Ordinarily, a party may not by
5 interrogatories or deposition discover facts known or
6 opinions held by an expert who is retained or specially
7 employed by another party in anticipation of language or to
8 prepare for trial.

9 So it is fairly the case that if Mr. Alexander was
10 retained as a non-testifying expert in this case, Your
11 Honor is absolutely correct that Your Honor could use his
12 discretion to say, USAA, you -- I'm -- I'm going to use my
13 discretion. This is not an exceptional circumstance. You
14 can take the deposition after they decide whether or not to
15 designate him.

16 But we know from Mr. Alexander's declaration,
17 which was attached to the opposition filed by Wells Fargo,
18 that he is not designate -- designated as an attorney in
19 this case -- as -- as an expert witness -- expert in -- a
20 non-testifying expert in this case. His declaration makes
21 clear that the only place he has been designated is in the
22 PTAB.

23 And so the way I approach this is the following:
24 There are two parallel proceedings in which Section 101 has
25 been injected. That was a conscious decision by Wells

1 Fargo, and there are consequences when you make tactical
2 decisions. They made a tactical decision, and now there's
3 a consequence.

4 We want to use our right to take the deposition of
5 inconsistent party admissions in this case for an entity
6 who is not a non-testifying expert in this case, based on
7 his own testimony. He's just what the Fifth Circuit would
8 call an agent of Wells Fargo who made inconsistent
9 statements.

10 The reason why we want to do that is the
11 following: One, memories fade. If I had a witness who
12 made completely inconsistent statements in a declaration,
13 I, of course, would want that witness deposition to be
14 taken as far after those inconsistent statements as
15 possible, if ever.

16 Two, Wells Fargo is not the only entity who's
17 entitled to file a dispositive motion at any time before
18 this Court. We believe those inconsistent statements make
19 the 101 defense fatally defective. We believe it makes it
20 fatally defective as a matter of law, and, indeed, we
21 believe that a determination of the 101 defense was -- is
22 defective as a matter of law would be -- before Your Honor
23 would be dispositive of a 101 in any form. And so we also
24 want the ability to control our own destiny between Your
25 Honor.

1 But really the subtext here is what Wells Fargo
2 said, that this is some type of trick to get a deposition
3 to use in front of the PTAB. I think that's their -- their
4 main argument.

5 And the response to that is it's not a trick to
6 get information to be used solely before the PTAB. It's a
7 litigation strategy we're employing to elucidate in an
8 admissible manner what we believe are clearly inconsistent
9 statements so we can use them anywhere. And, oh, by the
10 way, the PTAB wants us to do this.

11 This subtext that the PTAB is somehow being
12 treaded on because we're using our right under Article III
13 to take a deposition is the exact opposite of their intent.

14 And let me explain to you what I mean by that. If
15 you go to 37 CFR Section 42.51(b)(1), romanette (iii),
16 that's the PTAB regulations. And what the PTAB regulations
17 say is if you are aware of inconsistent statements,
18 statements that are inconsistent with positions taken by a
19 petitioner in the PTAB proceedings, you are obligated to
20 disclose those.

21 The PTAB doesn't view themselves as competing with
22 you. The PTAB views them as a forum in which they will not
23 allow depositions for policy reasons. They're perfectly
24 happy and prepared and order the use of those proceedings
25 of information in their proceeding.

1 And so there's a deep policy issue here, which is
2 that the Eastern District of Texas has on a number of
3 occasions said we're not going to let you depose an expert
4 who has been designated as a non-testifying expert simply
5 because they filed a declaration in re-exam.

6 That case law doesn't apply here because this
7 entity hasn't been designated as a -- as a pre-testifying
8 expert. But there's a deeper point here, which is that
9 every time someone files a declaration in the PTAB, I'm
10 assuming this Court doesn't want to have a fight. That
11 doesn't mean automatically that their deposition gets taken
12 here.

13 But we're a common law system, and the flip side
14 should apply. If we can lay a foundation that there is a
15 concrete reason why he wants wants -- wants the deposition.
16 And in fairness to us, I think we've laid that foundation.
17 We've pointed out the inconsistent statements.

18 Mr. Alexander says it's a technical problem.
19 Their 101 defense says it's a non-technical problem. They
20 had 16 pages to explain why there's no daylight between
21 them and Mr. Alexander, and they chose not to do that.

22 We've laid a special foundation. In that
23 situation, based on Fifth Circuit precedent, I believe
24 respectfully that we are entitled to control our own
25 destiny.

1 THE COURT: Well, you said a minute ago that
2 strategic decisions, based on procedural rules, often have
3 consequences. Isn't it true in this case that you made a
4 strategic decision to amend your complaint and thereby moot
5 the 101 motion, that had you not done that, we would still
6 have a live 101 motion before this Court and an altogether
7 different basis to address the issue that's raised today?

8 MR. SHEASBY: It's -- it's a fair point, and I
9 think you've hit upon the crux, which is that we amended
10 our complaint to add in the additional facts that we -- we
11 presented in our opposition. The original plan in our
12 opposition -- the original plan by Wells Fargo, and they
13 told us what they wanted us to do is they wanted a
14 sur-reply to address those new facts. We were prepared to
15 agree to that, and in the interim, your court mooted the --
16 Your Honor mooted the motion, which is absolutely
17 appropriate, completely -- completely the step to take.

18 THE COURT: That's good, because I do it all the
19 time.

20 MR. SHEASBY: I -- I don't want Your Honor to
21 think that there's any subtext here.

22 Now we're in the situation in which -- you know, I
23 think there are a lot of litigation tactics going on here,
24 and I think that applies to both sides.

25 THE COURT: I would agree to that.

1 MR. SHEASBY: Right. In other words, I want a
2 deposition that I can use fairly in this court, and it is,
3 indeed, the case that that deposition can elicit testimony
4 that can be used before the PTAB because the PTAB allows
5 depositions to be used. That is a fair statement.

6 We have --

7 THE COURT: But it's also fair that you want it
8 perhaps for use in both places, but you want it now as
9 opposed to taking it this summer after experts have been
10 designated so that you'll have it in hand before the PTAB.

11 MR. SHEASBY: That's exactly correct, and I also
12 want it now because it is -- nine months from now it is a
13 fair position for that witness to take that says, you know
14 what, I haven't seen this declaration in nine months. I
15 don't even remember the subject anymore. I haven't read
16 the document in nine months.

17 Not gamesmanship, completely honest, which is that
18 memories fade. There is something deeply practical about
19 testimony of witnesses who have recently observed or done
20 things. That is a -- sort of a basic essence of Article
21 III procedure.

22 It's -- I would respectfully submit why Your Honor
23 doesn't normally stage discovery, which is Your Honor sets
24 a period of time after which I can take a deposition, but
25 Your Honor doesn't say, well, you don't get to take

1 depositions on 101 until 9 months later or 12 months
2 later.

3 Article III gives me the right to be the proctor
4 within reason of my own discovery plan.

5 And so the other litigation tactic we have is that
6 we've had -- and I expressed reservations about this -- we
7 had a 101 motion filed. I expressed concern that that 101
8 motion was really an attempt to elicit -- elicit our -- our
9 proceedings. Immediately after we filed our opposition,
10 they filed a CBM petition which actually did do exactly
11 what I was concerned about. And now when they see the
12 writing on the wall that there's a witness who has taken
13 very inconsistent positions, they've withdrawn this motion
14 with a footnote saying, we'll re-file it later, and using
15 that as a basis to shield him from deposition.

16 So I believe that in fairness is a litigation
17 tactic, as well.

18 And so when you have litigation tactics on both
19 sides, I think the Court can fairly ask, where do I come
20 down? And I think actually Rule 26 answers that question,
21 and it answers the question in the following way.

22 This witness has not been designated as a
23 pre-trial -- a non-testifying witness in this case, and we
24 know that because he has a sworn declaration.

25 Two, we've laid a foundation of absolutely

1 inconsistent statements, and Collins in the Fifth Circuit
2 says that those are inconsistent statements of an agent.
3 Those are inconsistent statements of Wells Fargo.

4 And, three, I have given you what is not a subtext
5 but a good faith explanation why, one, I can use that
6 testimony before Your Honor; two, why I want that testimony
7 now, because I have -- I have the right to file my own
8 dispositive motion at any time; and, three, because memory
9 fades.

10 And if I take a deposition of this busy man nine
11 months from now, I have a very reasonable concern that that
12 deposition is going to be, you know what, I just don't
13 remember what I --

14 THE COURT: So -- so you're telling me of Reason
15 1, Reason 2, and Reason 3 are all in this court and none of
16 what you're asking for is targeted toward or for the
17 purpose of use before the PTAB in the CBM proceeding?

18 MR. SHEASBY: That's what I'm telling you,
19 although I have to acknowledge it because it is a fair
20 statement. What I'm doing in this court can absolutely be
21 used in front of the CBM. They allow it, they instruct it,
22 and I have no control over that. In other words --

23 THE COURT: And if you're permitted to proceed as
24 you've requested, is it your intention to use that before
25 the PTAB as a part of the CBM proceeding?

1 MR. SHEASBY: It is -- so intention or not, I have
2 an obligation to do it under the -- under what I believe is
3 my interpretation of the federal regulations, which is that
4 if I elicit inconsistent statements, I have to submit those
5 to the PTAB.

6 THE COURT: And while I freely admit I'm not an
7 expert on the procedural rules within the PTAB regarding
8 CBM proceedings, what you read from CFR a minute ago seems
9 to indicate to me that that obligation is equally imposed
10 upon Wells Fargo, and they have an obligation to disclose
11 any inconsistencies on their side of the docket.

12 MR. SHEASBY: Absolutely.

13 THE COURT: And if that's the case, then the
14 inconsistency that we're talking about is already
15 positioned to be disclosed to the PTAB whether or not
16 Dr. Alexander's deposed in this case at this time or not;
17 is that correct?

18 MR. SHEASBY: That's absolutely correct. In other
19 words, we're going to point out the inconsistency based on
20 the declaration. That's one of the reasons why the primary
21 purpose of this is not that -- not for use in the CBM, it's
22 for use in the district court.

23 In -- in fairness to us, we asked for this not to
24 happen. We did not want this forum shopping under 101. We
25 thought it was inconsistent. We thought it was a

1 litigation tactic, and we expressed great reservation about
2 it.

3 It's now occurred. And at some level, I have to
4 say -- counsel for Wells Fargo -- this is not a criticism.
5 In a footnote, we said this was going to happen, and they
6 said, you know what, it's none of your darn business. What
7 we do in front of the CBM is what we're going to do in
8 front of the CBM.

9 And in fairness to them, it's not a crazy
10 position. But there's a goose and gander rule here. I
11 have a reasoned basis for seeking this deposition before
12 Your Honor. The fact for them to say, oh, yes, but you're
13 really just doing it because of the CBM. Well, at some
14 level, that's none of your darn business, Wells Fargo. I
15 have a reasoned basis for doing it in this court. I have a
16 right to file early dispositive motions. I have a witness
17 who I think is not on all fours with them. I want an early
18 deposition so his memory doesn't fade.

19 And if I have -- if there's -- if that's caused
20 problems for them with the CBM, well, at some level, that
21 is their decision, and it's a consequence of their tactic.

22 And so I'm not going to be Pollyannish about this.
23 If I get some amazing admission from Dr. Alexander in
24 addition to filing a dispositive motion before Your Honor
25 at any time, am I going to use that in front of the CBM?

1 Yes. Not only am I going to use it in the CBM, my
2 interpretation of regulations obligate me to use it in
3 front of the CBM.

4 And for them to say, oh, because of that, because
5 we've forum shopped, we're going to somehow instruct how
6 you proceed in Article III, I have a problem with that. I
7 don't think that's fair, and I don't think that's
8 consistent with the rules. This is not a knee jerk
9 reaction in which we're trying to harass Mr. Alexander.

10 THE COURT: Well, let's just say, for purposes of
11 discussion, that this is not about the CBM petition before
12 the PTAB, which, quite honestly, given one party's
13 statement in effect to the other it's none of your darned
14 business what I do at the PTAB and a responsive statement
15 back the other direction, well, it's none of your darned
16 business what I do at the PTAB, that kind of interplay
17 significantly cuts against the notion that this is all
18 about the district court and doesn't have anything to do
19 with the PTAB.

20 But, nonetheless, let's just say that this is only
21 about what's proceeding in the district court. The PTAB's
22 not in the picture at all. Then under ordinary procedure
23 in this court under the Court's docket control order, its
24 local rules, and its approach to litigation consistently
25 laid out in case after case, you would acknowledge that a

1 request by a Plaintiff to take an early deposition is
2 something that's not ordinary and subject to some level of
3 discretion by the Court as to whether under the unique
4 circumstances raised, it's appropriate or not appropriate.

5 MR. SHEASBY: An early expert declaration, a
6 deposition?

7 THE COURT: Yes.

8 MR. SHEASBY: Yes, an early expert deposition, I
9 would agree with that.

10 With the -- but now I would say in response to
11 that is twofold.

12 THE COURT: So at the end of the day, it's up to
13 you to persuade me that that's appropriate in this context.

14 MR. SHEASBY: Right. And I've -- and my -- my --
15 my foundation for that is the following: One, I've laid a
16 foundation of clearly inconsistent statements, which has
17 not been rebutted.

18 Two, this witness has not been designated as a
19 pre-trial non-testifying expert in this case. He is simply
20 under Collins in the Fifth Circuit an agent of Wells Fargo
21 in the CBM proceeding.

22 Three, there was already what I thought was an
23 agreement but was apparently just an offer. Mr. Alexander
24 is not objecting to sitting for his deposition.

25 Mr. Alexander, at least based on my -- my reading of what

1 they said, and I quote their language --

2 THE COURT: My understanding was Wells Fargo is
3 not opposed to putting him up for deposition as long as the
4 scope of the deposition is limited to his personal
5 knowledge.

6 MR. SHEASBY: Factual personal knowledge.

7 THE COURT: All right. Well, that -- that comes
8 are forth in the briefing both ways.

9 MR. SHEASBY: Right. Right.

10 And so the real crux of the question is we're not
11 going to ask him about infringement issues. We're not
12 going to ask him about issues outside of his declaration.
13 The real crux of the issue is this, am I allowed to depose
14 him on this inconsistent -- inconsistent statements about
15 it being a technical problem in order to give me what I
16 need to potentially file an early summary judgment motion,
17 in addition to ensure that his memory doesn't fade.

18 And I think because he's not designated as a
19 testifying expert in this case, a pre -- a non-testifying
20 expert in this case, Rule 26 gives them no -- no
21 protection. And so now Your Honor has to make the
22 prudential decision is that given these unique
23 circumstances, is the inconsistency and my desire to
24 preserve in his memory the basis for that inconsistency out
25 of whack or somehow inconsistent with this Court, when

1 clearly there is a threat to renew this dispositive motion.
2 It's in a footnote. They're not telling you they're not
3 going to file a dispositive motion. They're not telling
4 you they're not going to -- they're going to withdraw their
5 Section 101 defense. All they're telling you is we've
6 withdrawn it. Let us out of jail.

7 I don't think that's appropriate in this
8 situation. I think there's a live principled dispute here.

9 Now, let me also say something, which is that
10 my -- counsel can get up and say, oh, oh, he is designated
11 as a -- as a non-testifying expert in this case. It is.
12 He just forgot to mention it in his declaration somehow.

13 But I still think there's a deep -- deeper point,
14 which is that they made a conscious decision to forum shop.
15 That has consequences. We now know under Fifth Circuit law
16 admissions they made that this is a technical problem. And
17 I'm entitled to that admissible testimony in that subject
18 so that I can use it and give my client every tool they
19 have to defend against that Section 101 in this case.

20 THE COURT: And when you say they made a conscious
21 decision to forum shop, you're talking about the CBM
22 petition filed at the PTAB?

23 MR. SHEASBY: That's correct.

24 THE COURT: All right. What else, Mr. Sheasby?

25 MR. SHEASBY: So the only other issue that I think

1 you need to address is this question about whether you're
2 the Court that's right for this.

3 And there is some subtext or some suggestion that
4 we should be in front of a court that's going to decide the
5 subpoena or the enforceability of the subpoena. And I've
6 thought a lot about this, and I don't think that's correct.
7 And it's not correct for both a very specific legal reason
8 and a prudential reason.

9 So the legal reason is the following: This man
10 has voluntarily agreed to appear. The only dispute is that
11 Wells Fargo is going to say if you ask him about these
12 inconsistent statements, we're going to instruct you not to
13 answer.

14 Under Rule 37 -- quote, 37(a)(2), a motion for an
15 order to a party must be made in the court where the action
16 is pending. And it lists as one of those specific motions,
17 motions related to deposition.

18 And so the only court, based on my reading of the
19 federal rules, that can order Wells Fargo to not instruct
20 not to answer is Your Honor. So that's the legal
21 interpretation as I see it.

22 And, in fact, the case they cite, the Traut case,
23 which is a Northern District of Texas case, makes clear,
24 quote, a party need not comply with Rule 45 and issue a
25 subpoena if a non-party will consent to have a deposition

1 by notice alone.

2 THE COURT: And there has been a subpoena issued
3 in this case, but it's been withdrawn.

4 MR. SHEASBY: It's been withdrawn, and there's a
5 reason for that. And the reason why it's been withdrawn is
6 because we were originally concerned that Mr. Alexander
7 would not even appear for his deposition. We presented the
8 subpoena, and what Wells Fargo said in response is: We
9 don't object to fact questions, but we got a big problem
10 with you asking him about inconsistent statements.

11 And so we said: All right. Let's go before Judge
12 Gilstrap and get that resolved because we think that we
13 have a right to preserve his testimony. And we filed our
14 motion before Your Honor.

15 A couple of hours later, after they asked us to
16 hold off filing our motion, they immediately filed a motion
17 to quash in the Northern District of Texas, and we told
18 them that this is nuts. The idea that we're going to take
19 up two Article III Judges' time to dispute a precise
20 question about whether they can properly give an
21 instruction not to answer based on a live Section 101
22 defense, that's before Your Honor. It's before Your Honor
23 under Rule 37 because the problem is not with
24 Mr. Alexander. Mr. Alexander is not saying it's
25 burdensome, I don't want to do it, I'm too busy, don't be

1 asking me about my personal information. There's none of
2 that.

3 Wells Fargo is saying we're going to block
4 examination by -- on inconsistent statements under Fifth
5 Circuit precedent that are inconsistent statements.

6 And my reading of Rule 37(a)(2), it's not
7 ambiguous. That order instructing Wells Fargo not to do
8 something they're threatening to do is an order that can
9 only come from one place, and that's from Your Honor.

10 Thank you.

11 THE COURT: All right. Let me hear responsive
12 argument from Wells Fargo.

13 MR. MELSHEIMER: May it please the Court, Your
14 Honor. If it pleases the Court, Mr. Underwood is going to
15 present the argument on our behalf.

16 THE COURT: That's fine. Let's proceed.

17 MR. UNDERWOOD: May it please the Court. Good
18 morning.

19 THE COURT: Good morning, counsel.

20 MR. UNDERWOOD: Travis Underwood on behalf of the
21 Defendant, Wells Fargo Bank.

22 This probably comes as not a massive surprise to
23 the Court, but we disagree with many of the statements made
24 by opposing counsel just now.

25 And I think I will begin with what he ended with

1 was -- which was in effect this -- this alleged agreement
2 between the parties.

3 What actually happened, Your Honor, is that we
4 have repeatedly made an offer to USAA in an effort to
5 resolve this dispute, in an effort to prevent the Court
6 from having to spend its time and resources resolving the
7 dispute for us. We tried to meet in the middle, and so we
8 made an offer that is rooted in the case law.

9 THE COURT: Well, that hasn't worked so far.

10 MR. UNDERWOOD: It has not, Your Honor,
11 unfortunately.

12 We made the offer repeatedly, and it's repeatedly
13 been eject -- rejected. And that offer was, as I think
14 you -- you hinted on earlier, the offer was that we would
15 produce Dr. Alexander for a deposition if -- and there was
16 a condition -- if they would agree to limit the scope of
17 the deposition to a factual deposition based on his
18 personal knowledge and a deposition that did not touch upon
19 or otherwise inquire into his expert declarations that were
20 filed at the PTAB.

21 And, again, Your Honor, this -- this offer was
22 based in the case law. We found four cases, three of them
23 from the Eastern District of Texas, one from the Northern
24 District of California related to litigation in the Eastern
25 District of Texas, and none of these cases have actually

1 allowed for depositions like the one that they are
2 requesting in this case.

3 Now, the one case did -- the Kaist opinion,
4 K-a-i-s-t, in the Northern District of California did allow
5 for a limited factual deposition. Seeing that case, we
6 made an offer in line with that case to -- to resolve this
7 issue and to produce Dr. Alexander if they could agree to
8 those parameters.

9 And, repeatedly, they have rejected them. And
10 because they've rejected them, we now find ourselves here
11 today before the Court. And I think we're kind of back at
12 Square 1. And when we're back at Square 1, what do we do?
13 We look to the rules.

14 And there are multiple procedural flaws with their
15 motion to compel, each one of which standing alone
16 independently we believe is justification for denying their
17 motion in its entirety.

18 THE COURT: I assume you're going to tell me that
19 if the statements from Plaintiff's counsel were accurate,
20 that all of this is about the district court and not the
21 PTAB, then there's no reason for them not to take your
22 offer and take the deposition and agree not to go into the
23 declarations that are filed before the PTAB.

24 MR. UNDERWOOD: That's right, Your Honor. That is
25 what we expected would be the case, and particularly given

1 the current lay of the land. And -- and Your Honor hit
2 upon it.

3 Originally, there was this 101 dispositive motion.
4 And it's on that motion that they predicate their relevance
5 arguments.

6 Now, footnote on that, counsel made a lot of
7 comments about purported inconsistencies. We actually
8 don't agree with that. We -- we don't believe that there
9 are inconsistencies between the declarations at the PTAB
10 and the 101 motion. We don't actually think that's
11 germane, though, so that's why I stuck it in a footnote.
12 But that motion was pending, and that was their hook for
13 relevance.

14 As the Court observed, that motion is no longer
15 pending. The Court denied it as moot, and the Court gave
16 us a shock clock to re-file the motion, 15 days. That has
17 passed. That time has passed. We didn't re-file it.
18 There's no longer a 101 dispositive motion before the
19 Court.

20 USAA can no longer argue that Rule 12(d) somehow
21 entitles it to take discovery to defend against the motion,
22 and they also can't argue that there's any urgency to get
23 this testimony before the normal rules and the normal
24 parameters and procedures for taking expert testimony in
25 any case.

1 THE COURT: Is it fair to say, Mr. Underwood, that
2 Wells Fargo moved for an early 101 for the strategic
3 benefit of forcing USAA to lay out its posture before Wells
4 Fargo moved to institute CBM review at the PTAB, and then
5 having done that, USAA made a tactical error in amending
6 their complaint which resulted in the mooting of the 101
7 and then gave you the freehand to just step back and say,
8 well, you know, we're not going to urge that again, we're
9 going to leave it on the sidelines?

10 You've gotten the benefit of forcing them to show
11 you your position -- their position on 101 before you went
12 to the PTAB, and now you don't want to bring it back up
13 until you see what the PTAB is going to do. Isn't that
14 really the -- the pathway of the strategic steps that have
15 been taken so far?

16 MR. UNDERWOOD: Your Honor, respectfully, I
17 disagree with that. It is not fair to say that the reason
18 or the purpose underlying our decision to file the 101
19 motion in this case was somehow to elicit them to put all
20 their cards on the table, so to speak, so that we got some
21 sort of tactical advantage at the PTAB.

22 THE COURT: Well, if it wasn't tactical, if it was
23 substantive and it was filed early and then based on their
24 amended complaint, that original motion under 101 was
25 mooted, why wouldn't you jump at the chance to reurge it

1 now because it's pressing and it's substantive and it needs
2 to go forward early in the case? If it's not strategic, if
3 it's substantive, why not urge the 101 again?

4 MR. UNDERWOOD: Well, as an initial manner, Your
5 Honor, and -- and counsel pointed this out, we aren't
6 saying that we're not going to file it at all again, but we
7 think based on the timing, it doesn't make sense to file it
8 right now.

9 And -- and what I mean by that is given the
10 current lay of the land and in particular with claim
11 construction on the horizon, we did not want to find
12 ourselves in a situation where we re-filed the 101
13 dispositive motion under 12(c) -- I guess it would have
14 been a week or two ago -- and then, you know, take time for
15 that to get briefed up. You know, by that time, we start
16 to find ourselves in the throws of claim construction
17 preparation. And at that point in time, the -- the posture
18 makes it a little bit strange to take up the 101 motion on
19 the eve of a claim construction hearing.

20 And so we felt that with the benefit of the
21 Court's claim construction, we could perhaps reurge it.
22 And, of course, there are -- there are certain moving parts
23 that will impact whether or not that is ultimately reurged.

24 But, Your Honor, given the lay of the land, we
25 felt -- and, again, claim construction, we felt it didn't

1 make sense to re-file it right now.

2 THE COURT: Well, quite honestly, if it was a
3 pressing substantive matter that needed to be urged early
4 in this case under Rule 12 and then for whatever reason
5 that motion was no longer active, the conscious decision to
6 step back and not reurge it promptly again smacks somewhat
7 of gamesmanship.

8 But I'll be honest with you, whatever strategic
9 moves both of these parties are making for purposes of the
10 CBM review are before the CBM -- before the PTAB. They're
11 not before me. And while I'm persuaded there is some
12 gamesmanship going on on both sides with relation to the
13 parallel proceedings at PTAB, I don't necessarily intend
14 that to be dispositive with regard to the motion that's
15 before me now.

16 But I don't think it's a stretch to say that there
17 are some steps being taken or some steps being withheld
18 that have a whole lot more to do with the PTAB than they do
19 with the district court. Nonetheless, that's -- that's one
20 person's view. It just happens to be my view.

21 MR. UNDERWOOD: Well, that's an important view,
22 Your Honor.

23 THE COURT: Let me hear the rest of your argument.

24 MR. UNDERWOOD: Okay. Your Honor, thank you.

25 Just to close the loop on this, as I was saying,

1 in effect given the fact that there's no longer this 101
2 motion pending, there's -- there's no urgency, there's no
3 reason why the normal rules and the normal operating
4 procedure should not apply, why that, you know, they
5 shouldn't wait to take this deposition, if at all, until
6 after disclosures have been made. And on the no urgency
7 point, Your Honor, I think this is something that the Court
8 itself may have hinted at.

9 The parties had previously agreed to an expedited
10 briefing schedule, and pursuant to that agreement, the
11 parties moved the Court to order an expedited briefing
12 schedule. And the Court denied the expedited briefing
13 schedule.

14 And -- and our view is that, in effect, is in
15 align with what we're saying right now, which is there's no
16 urgency for this deposition or this issue to take place
17 right now, particularly given that there's no longer the
18 101 motion pending.

19 Your Honor, there are other procedural problems
20 with their motion. Rule 37, which is what counsel ended
21 with, given that they have rejected our offer to produce
22 Dr. Alexander for a limited factual deposition, there's no
23 agreement between the parties. It's that simple. It's
24 almost like -- like a 1L contracts situation. When there's
25 an offer, there's got to be an acceptance for there to be

1 an agreement. But here there's been no acceptance, so
2 there's no agreement.

3 Because there's no agreement, they need an order
4 from the Court, or, in the alternative, a subpoena, which
5 is, as the Court observed, they withdrew, they would need
6 an order from the Court actually requiring Dr. Alexander to
7 show up.

8 The problem for them is that they filed their
9 motion under Rule 37 of the Federal Rules of Civil
10 Procedure, and the case law that we've cited to in our
11 brief, the MetroPCS case and the Traut case, as counsel
12 referenced, unequivocally stands for the proposition that
13 you cannot use a Rule 37 motion to compel a party or a
14 non-party to show up for attendance at a deposition. The
15 case law says -- the rule just doesn't address it.

16 So we think on that ground alone, the motion is
17 worthy of denial because it is -- it is just procedurally
18 flawed at the outset.

19 Now, the proper course for them would be to serve
20 a subpoena, which is what Rule 30 says. Rule 30 says: If
21 you want to depose someone, you need to serve a subpoena
22 under Rule 45. And they did originally do that, but
23 they've since withdrawn it.

24 So right now there's no procedural mechanism for
25 them to compel Dr. Alexander to show up. So we think that

1 standing alone is a reason to deny USAA's motion to compel.

2 Your Honor, I think there are a couple of other
3 procedural problems, as well, and I'll just briefly touch
4 on these. They're in our brief.

5 They -- since they noticed it, as opposed to
6 serving a subpoena, there's actually another reason why
7 that's flawed, and that's because notices only work for
8 parties, their directors, their officers, or managing
9 agents. It's our position that Dr. Alexander is a third
10 party, and he -- he would not fall within the scope. So as
11 a result, the notice is flawed.

12 Your Honor, we also think that their motion is --
13 is overbroad. What they did is they noticed his deposition
14 under Rule 30, which governs fact depositions. They didn't
15 govern it under Rule 26, which governs a party's access to
16 experts.

17 And, nonetheless, what they're now moving for is
18 that full, wide ranging, unlimited expert deposition. As a
19 result, we think they're moving for something and asking
20 the Court for something that they never actually noticed.
21 So we think there are additional procedural problems there.

22 Your Honor, I also want to touch on the PTAB
23 briefly because counsel represented that this dispute is
24 really about what's happening at the district court, that
25 it is not about what's happening at the PTAB.

1 And, frankly, our concern is that that may not
2 actually be the case. Our concern is that they want this
3 deposition in -- in large part because they want to use
4 what they get from the deposition in their response briefs
5 at the PTAB, which are due in February and then in March.

6 And so our concern, Your Honor, is not unfounded.
7 We actually have reason to believe this. And the reason is
8 there's been a previous deponent in this case. He was a
9 Wells Fargo employee that USAA deposed. And pursuant to
10 the Court's protective order, his deposition transcript was
11 designated confidential.

12 Now, counsel approached us, and they requested
13 that we agree to de-designate certain portions of that
14 deposition such that they would be not confidential. And
15 they said the reason we want to do this is so we can use it
16 at the PTAB.

17 Now, counsel mentioned that he's entitled to do
18 that. Maybe that's the case. But I think it shows what
19 they're doing here, which is they're using this case to get
20 discovery which they can then turn around and use at the
21 PTAB.

22 And, Your Honor, the concern with that is that it
23 entirely circumvents the PTAB's rules which don't allow for
24 any depositions to incur -- to occur prior to an
25 institution decision. We're still, you know, months away

1 from an institution decision, so we're still clearly within
2 the time during which those rules wouldn't allow for a
3 deposition.

4 So knowing that they can't get a deposition at the
5 PTAB, what do they do? Well, they come to the district
6 court, and they try to use the district court to get that
7 information to then turn around and use at the PTAB.

8 And that is our concern here, Your Honor. And,
9 frankly, we think that if they were allowed to do that in
10 this case, we think that it would -- it would open up the
11 flood gates, so to speak, because all the cases we've seen
12 so far, the cases I referenced earlier from both this
13 district and others, have not allowed for a gambit like
14 this to succeed.

15 And -- and our concern, Your Honor, is that if
16 they do this and if the Court permits them to do what
17 they're asking to do, then it -- then it allows Plaintiffs
18 to circumvent those rules. And it, in effect, almost
19 writes those rules off the books because they're allowed to
20 get discovery from the district court anyways.

21 So our concern is that it, in effect, abrogates
22 those rules, Your Honor, and we think -- we think that is a
23 very important concern and consideration in this case.

24 Your Honor, the last thing I'll say is that we
25 think that this situation that the Court is presented with

1 is one in which we have done everything we can do to act in
2 good faith to resolve it. And now what they've done is
3 they've come to the Court, and, in effect, they've tried to
4 get the benefit of our efforts to compromise, and they're
5 now trying to use some of that against us.

6 For example, Exhibit A, Your Honor, would be their
7 effort to say that we've already reached an agreement to
8 produce Dr. Alexander, when, in fact, they've rejected it.
9 And so what it seems to be is that they're almost
10 weaponizing the meet and confer requirement and our efforts
11 to peacefully resolve this dispute without having to come
12 to the Court.

13 And so, Your Honor, we're concerned that some of
14 what they've done has chilled any incentive to resolve
15 issues moving forward. And we think it's -- it's a great
16 concern and -- and worthy of consideration in this matter.

17 So unless the Court has any further questions for
18 me, I'll sit down.

19 THE COURT: All right. Thank you, Mr. Underwood.

20 Mr. Sheasby, I'll give you a very brief response,
21 and then we'll bring this argument to a close.

22 And I'm not suggesting that you re-argue what you
23 already have, but if opposing counsel's raised something
24 that's not been touched on before and you want to respond
25 to it, that's what you're up there for.

1 MR. SHEASBY: Two things.

2 First, Your Honor, the deposition that we're
3 referring to is by Mr. Nishant, and I think it tells
4 everything you need to know about this dispute.

5 So Mr. Nishant is a technical witness at Wells
6 Fargo. We took his deposition. We took his deposition --
7 we tried to get it as early as we could before our
8 opposition to the motion to dismiss. They refused to give
9 it to us. They gave that deposition after our opposition.
10 We obtained very significant admissions from Mr. Nishant.
11 We used those admissions in our reply brief, and we also
12 amended our complaint to add those admissions, and it was
13 on that basis that they sought their sur-reply.

14 Those Nishant admissions, which we're using to be
15 defending against their 101 argument in this case, also
16 were used -- also are going to be used in the CBM, as the
17 CBM regulations allow for.

18 So they are absolutely a hundred percent right.
19 There's no gamesmanship going on here. If I hurt them on
20 Section 101 arguments in this Court, it's going to hurt
21 them in the CBM. That is the nature of life.

22 The second thing is I often don't -- I try not to
23 get emotional in these things, but the idea that I've
24 somehow abused the meet and confer process is something
25 that I find an extremely disturbing allegation.

1 Their brief to you said, quote, we agreed to offer
2 him as a fact witness. They didn't say as an offer of
3 compromise, if you would agree to X, we'll do Y.

4 The case law required them to offer him as a fact
5 witness. The idea that I've created some gamesmanship,
6 I've abused their trust, that I've acted in a sharp way is
7 not something that I take lightly.

8 The issue before this Court is very simple. Are
9 they allowed to block a witness who gave what I believe are
10 very damaging testimony for me taking that deposition so it
11 becomes stale, so he can run away from it. The answer is
12 they are not. And the Court that decides that under Rule
13 7 -- 37 is Your Honor.

14 Thank you for your time today, Your Honor. Thank
15 you for the extended argument you've allowed me on this
16 issue. I greatly appreciate it.

17 THE COURT: All right, counsel.

18 I'm going to take this matter under advisement.
19 I'll try to get you a ruling as soon as possible and give
20 you guidance on this issue.

21 From a high level, though, I will simply say that
22 the Court is persuaded that both Plaintiff and Defendant
23 are using this Court and its procedures to better
24 themselves before the PTAB with regard to the CBM
25 litigation.

1 I'm persuaded that Defendant moved early for a 101
2 to force Plaintiff to flesh out their position so that
3 could be known at the time of the CBM litigation.

4 I'm persuaded that Plaintiff, attempting to avoid
5 that, for no other reason that I can think of, filed both
6 its response to the 101 and its sur-reply under seal in
7 attempts to block that from being used at the PTAB.

8 This deposition issue that's before me, it's -- in
9 my mind, it's not about this Court and the case here. It's
10 about trying to better both sides' position before the PTAB
11 in hopes that the CBM litigation will be the dispositive
12 litigation in this case.

13 If it gets back to me at some later date, it will
14 be because this Court is Plan B and not Plan A in this
15 litigation, and I will tell both of you, this Court finds
16 it distasteful to be used as a tool, perhaps in parallel
17 litigation, perhaps in issues that have some basis in both
18 places, but primarily as a -- preparing ground for the
19 litigation before the PTAB.

20 That doesn't mean it's illegal. That doesn't mean
21 it's unethical. But nobody likes to be used. And, quite
22 honestly, my feeling is that this Court is being used by
23 both of you and has been through the litigation that's led
24 up to this point.

25 That notwithstanding, I've got a motion with

1 regard to a request effectively to take an early
2 deposition. I'm going to look at it. And I'm going to
3 consider this Court's precedence and the applicable rules
4 of procedure and the posture in which the case is before
5 this Court, and I'm going to give you a ruling.

6 But that's not going to change the fact that while
7 the PTAB proceedings under the America Invents Act are
8 intended by Congress to be parallel to the district court,
9 I'm not persuaded that Congress intended the district court
10 to be a tool to be used by parties as they proceed and
11 attempt to better their posture before the PTAB, any more
12 than I think Congress intended the PTAB to be a tool to use
13 before the district court.

14 I understand the temptation. I understand the
15 pressures on skilled and aggressive litigators on both
16 sides of the issue to take whatever advantage they can.
17 But I can tell you, the Court doesn't like the
18 distastefulness of being a tool used for some other
19 proceeding some other place.

20 And despite the argument I've heard from both
21 sides, I'm persuaded that's at the root of what's before
22 the Court in this issue and in this case.

23 It may end up coming back here. It may end up
24 being tried to a verdict in this court. But it will be
25 only after the PTAB has declined to institute review here.

1 And that's the first opportunity to reach a dispositive
2 result, and that's where your efforts on both sides of
3 these various issues are targeted, in my view.

4 Nonetheless, this matter is under review. I will
5 get you a ruling as soon as possible.

6 I thank you for your attendance and your argument.

7 You are excused, and the Court stands in recess.

8 COURT SECURITY OFFICER: All rise.

9 (Hearing concluded.)

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CERTIFICATION

3 I HEREBY CERTIFY that the foregoing is a true and
4 correct transcript from the stenographic notes of the
5 proceedings in the above-entitled matter to the best of my
6 ability.

9 /S/ Shelly Holmes
10 SHELLY HOLMES, CSR, TCRR
11 OFFICIAL REPORTER
12 State of Texas No.: 7804
13 Expiration Date: 12/31/20